

- Inflation rate rises 0.2 percentage points to 1.8% in March
- Retail sales stall (+0.1%) in February; wholesale sales down 3.2%
- Visitor entries drop off for second straight month in February

Prices

- **British Columbia's year-over-year inflation rate edged up to 1.8% in March.** Energy products (+5.4%) continued to put inflationary pressure on the economy, contributing almost half a percentage point to the overall increase in the Consumer Price Index (CPI). Excluding energy, the inflation rate was 1.4%.

Transportation costs rose 2.7%, largely due to higher prices for gasoline (+6.7%). Gas prices were a factor in the increased cost of operating a private vehicle (+2.3%), as well as public transportation (+2.7%). Users of taxis and other local transportation paid 12.8% more for a ride than in March 2005. However, drivers received some relief from lower insurance premiums (-3.1%).

Piped gas (+15.0%) continued to take a bigger bite out of household budgets, and home insurance premiums (+5.2%) and property taxes (+6.3%) were also more expensive. However, modest increases in the price of electricity and fuel oil (both +0.5%) helped moderate shelter prices, which rose 2.6% overall. Owned accommodation cost 3.2% more than in March 2005, while the price of rented accommodation was up 0.3%.

BC consumers faced higher prices for most types of goods except clothing and footwear (-0.5%) in March. Food prices rose 1.7%, reflecting significant increases in the cost of restaurant meals (+2.7%) fresh fruit (+4.0%) and coffee & tea (+5.3%). Health & personal care (+1.4%) and alcohol & tobacco (+1.3%) prices increased modestly, with smaller increases in the cost of household operations (+0.7%) and recreation, education & reading materials (+0.4%).

Inflation rates in Victoria (+1.7%) and Vancouver (+1.6%) were slightly lower than the provincial average.

Data Source: Statistics Canada

- **Nationally, energy (+7.4%), transportation (+3.5%) and shelter (+3.5%) all contributed to a 2.2% rise in the overall price level.** Saskatchewan (+1.7%) was the only province where prices increased less than in BC. In Alberta, the average inflation rate was 3.2%, the highest in the country.

Data Source: Statistics Canada

The Economy

- **Sales by BC retailers stalled (+0.1%, seasonally adjusted) in February, after posting a solid 2.0% increase at the beginning of the year.** Retailers of general merchandise, clothing & accessories, automotive products and furniture, home furnishings & electronics all saw sales drop in February, while sales by food and building supplies retailers advanced. Retail sales were lacklustre across the country, edging up just 0.3% overall, as sales were flat or dropped in six provinces.

Data Source: Statistics Canada & BC Stats

- **Sales by wholesalers continued to seesaw, dropping off 3.2% (seasonally adjusted) in February after growing 2.4% in the previous month.** Canadian sales were off 1.1%, with seven provinces posting declines.

Data Source: Statistics Canada

- **The number of new vehicles driven off car lots in the province rose 1.6% (seasonally adjusted) in February.** Nationally, new motor vehicles sales slowed 0.4%. Sales were down or flat in Ontario, Quebec and most of eastern Canada. Growth was strongest in the West, with Saskatchewan (+9.4%), Alberta (+2.7%) and BC all posting increases

Data Source: Statistics Canada

Did you know...

A typical UFO sighting is of a starlike object (41%) or fireball (21%), that is seen by two witnesses. The experience usually lasts about 15 minutes

Tourism

- **The number of travellers entering Canada via BC borders fell (-2.4%, seasonally adjusted) for the second consecutive month in February.** Entries from the US, which comprise most of the visits, were down significantly (-4.3%) as Americans made fewer same-day (-7.0%) and overnight (-2.5%) trips into BC. Conversely, travel to BC from overseas countries was up (+5.2%) in February. Asian entries fell 4.8%, as travel from all major markets except South Korea (+6.6%) declined. However, there were more entries from Europe (+2.5%) and Oceania (+3.9%).

Data Source: Statistics Canada

E-Commerce

- **Online sales by Canadian organizations displayed robust double-digit growth for the fourth consecutive year in 2005.** Sales increased 38.4% to \$39.2 billion. However, despite the strong growth, e-commerce still accounted for just over one percent of total operating revenues for private firms.

Large companies (those with over 100 employees) accounted for 62% of online sales. Sixteen percent of large firms made online sales, more than double the average (7%) for all private companies.

The proportion of Canadian firms using the Internet was unchanged at 82%, though the share of businesses using a high speed Internet connection has grown to 81%, up from less than 50% in 2001.

Wholesale trade, retail trade, transportation & warehousing and manufacturing were the four dominant sectors in the online marketplace in 2005. Wholesalers and transportation & warehousing companies each sold \$7.2 billion worth of goods online, accounting for a combined 40% of total online sales. Sales by retailers accounted for 15% of the total and manufacturers about 14%.

Data Source: Statistics Canada

Urban Transit

- **Canadians continued to take more trips on urban transit systems in February.** Combined ridership on ten large urban transit systems in Canadian cities (accounting for 80% of total urban transit in Canada) was 1.8% higher than the

same month last year. Approximately 110 million passenger trips were taken on these systems. Trips generated \$173 million in revenue, a 5.5% increase over February 2005.

Data Source: Statistics Canada

The Nation

- **Canada's composite leading indicator advanced 0.6% (seasonally adjusted) in March, doubling its February increase.** Gains in housing (+2.9%) led the advance, as housing starts remained robust, especially in BC and Alberta. The strength of new home construction also boosted furniture & appliance sales (+1.8%). Financial indicators were also robust, with the stock market (+3.1%) hitting another record in March.

Data Source: Statistics Canada

- **Foreign investment in Canadian securities totalled \$2.1 billion in February, after investors purchased \$3.0 billion in the previous month.** While non-residents purchased \$4.7 billion of Canadian equities in February, this was not enough to offset a \$3.0 billion decrease in foreign holdings of Canadian bonds.

Meanwhile, Canadian investors acquired \$2.7 billion in foreign securities in February, led by investment in stocks (\$1.2 billion). Canadians invested heavily in US equities (\$1.8 billion), but shed \$600 million of overseas shares.

Data Source: Statistics Canada

Aliens in the Air?

- **The skies over BC were filled with strange flying objects last year, with 209 UFO sightings reported.** That's down from the record 304 UFOs reported in 2003, but still represents more than a quarter (27%) of all Canadian sightings. Ontario seems to be attracting more attention from UFOs, with 214 sightings, surpassing the BC number for the second year in a row. Vancouver and Calgary (both at 29) were tied for first place in terms of UFO reports. Two of the 769 sightings reported last year were alleged abductions or contact experiences.

Data Source: Canadian UFO Survey, 2005

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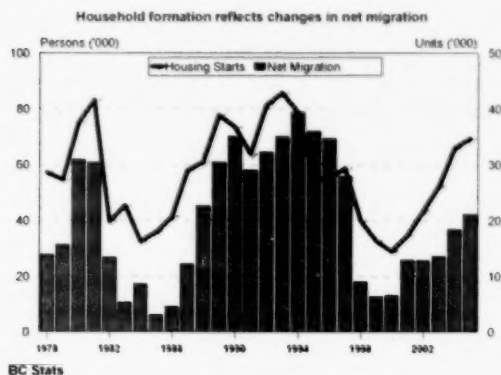
Migration and Housing Demand

The demand for housing is influenced by a number of factors that are both demographic and economic in nature. On the demographic side, the changing age structure of the population and the composition of households will influence housing requirements. Also important are economic factors such as housing prices and interest rates. Migration to British Columbia from other parts of Canada and from other countries plays an important role in the demand for housing. The levels of net migration, as well as the characteristics of migrants, impact the number and type of dwellings needed.

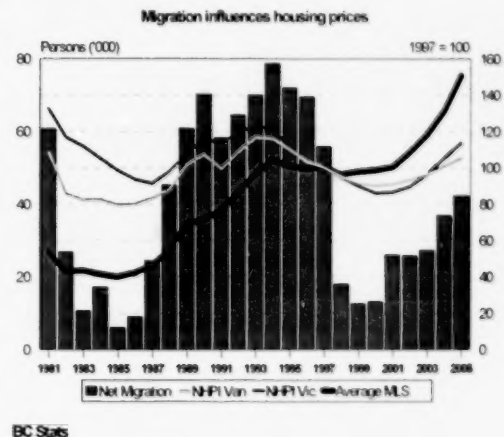
shown some recovery since the lows of 1999 and 2000, a trend which is expected to continue well into the future. Correspondingly, housing starts also show a surge from the lows of 2,000 to 34,600 units in 2005.

There are a variety of economic factors that affect housing demand. Mortgage rates and housing prices have an important influence on the affordability of housing. Interest rates for the average five-year conventional mortgage have been decreasing since 2000, when they reached a ten-year high of 8.2%. The average for a five-year mortgage in 2005 was only 5.5%. The relatively low cost of borrowing is a factor in the demand for housing.

When housing supply cannot keep pace with the demand for housing, the market compensates with price increases. On the other hand, an excess supply of housing may result in price decreases. The large changes in migration flows that have occurred over the last twenty years have played an important role in the fluctuation of housing prices.

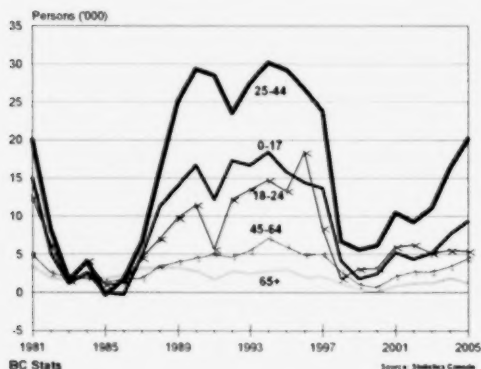


There is a fairly strong relationship between net migration and changes in the housing stock, which represents the formation of new households in the province. As net migration weakened during the first half of the eighties, housing starts dropped sharply. The subsequent strong growth in net migration up to 1994 was accompanied by increases in housing starts in most years. As migration dropped from a net inflow of almost 80,000 persons in 1994 to roughly 13,000 in 1999 and 2000, housing starts also declined from a peak of 42,800 units in 1993 to 14,400 in 2000. Net migration levels have



From 1985 to 1994, the average MLS selling price of residential housing in BC rose fairly steadily. Thereafter, prices remained relatively flat until 2001 when both net migration levels and housing prices began to climb. From 2001 to 2005 the average residential housing price in B.C. increased by 50%. During the same time period, the Vancouver New Housing Price Index (NHPI) increased by 16% while the Victoria NHPI increased by 31%. The NHPI includes only new homes while the MLS figures include both new and pre-owned properties. The looser fit of MLS to net migration levels may indicate that migration is more closely linked to the price of new homes in large urban centres than to the overall price of housing in B.C.

Demographic factors which influence housing demand include the age structure of the population and the makeup of households and families. For example, increases in the number of separations and divorces could result in an increase in the formation of new households, while increases in the number of children per family could influence the type of housing required. Likewise, strong net inflows of people into the province result in a significant number of new households, thereby increasing the demand for housing.



The age characteristics of migrants can affect the type of housing demand generated by these migration flows. Most migrants tend to be young. In 1991, 1996 and 2001, 80 to 85% of migrants to B.C. were under the age of 45 years. However, difficult times have a powerful effect on migration of young people (and young families). The above chart demonstrates that the downturns in the B.C. economy in the mid 1980s and the late 1990s had the most significant effect on migration of those aged 25 to 44 years. Generally speaking, people in this age group are those engaged in household formation and either first-time home buying or "trading up" as they require more space with the arrival of children. Migrants in this age group are likely to look for single detached homes, particularly if they migrate with children. Net flows of seniors remained relatively stable from 1981 through 2005, and have consistently made up a relatively small proportion of overall migration to the province.

The size of households and the type of housing demanded varies considerably across different parts of the province. At the provincial level, the average number of people per household has declined only slightly from 2.6 in 1991 and 1996 to 2.5 in 2001. However, there has been considerably more movement at the regional level. The average size of households increased over the five-year period between 1991 and 1996 in the Mainland/Southwest and Northeast regions. This increase from 2.6 to 2.7 persons per household in the Mainland/Southwest is likely related to the strong growth in immigration experienced during the period. However, between 1996 and 2001, all regions showed a drop in household size.

There have also been shifts in the distribution of types of housing between 1991 and 2001. At the provincial level, the share of single-detached housing fell from 58.6% in 1991 to 56.2% in 1996 and to 54.8% in 2001. On the other hand, the share of all forms of multiple dwellings increased with the relative increase being the strongest for detached duplexes and row houses. Some of the shift from single houses to duplexes may reflect the addition of a secondary suite within a former single-detached house.

Development Region	1991	1996	2001
Vancouver Island/Coast	2.5	2.4	2.3
Mainland/Southwest	2.6	2.7	2.6
Thompson-Okanagan	2.5	2.5	2.4
Kootenay	2.5	2.5	2.4
Cariboo	2.9	2.8	2.6
North Coast	3.0	2.9	2.7
Nechako	3.0	2.9	2.7
Northeast	2.8	2.9	2.7
British Columbia	2.6	2.6	2.5

Source: Statistics Canada, 1991, 1996 and 2001 Census of Canada



BC at a glance . . .

POPULATION (thousands)		% change on
	Jan 1/05	one year ago
BC	4,279.5	1.3
Canada	32,422.9	1.0
GDP and INCOME		% change on
(BC - at market prices)	2004	one year ago
Gross Domestic Product (GDP) (\$ millions)	157,241	7.7
GDP (\$ 1997 millions)	139,205	4.0
GDP (\$ 1997 per Capita)	33,129	2.8
Personal Disposable Income (\$ 1997 per Capita)	20,182	1.4
TRADE (\$ millions, seasonally adjusted)		% change on
		prev. month
Manufacturing Shipments - Feb	3,706	-3.4
Merchandise Exports - Feb	3,007	-1.1
Retail Sales - Feb	4,327	0.1
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Mar '06	% change
BC	126.3	1.9
Canada	129.3	2.3
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Mar '06	prev. month
Labour Force - BC	2,291	0.2
Employed - BC	2,189	0.6
Unemployed - BC	102	-6.8
	Feb '06	
Unemployment Rate - BC (percent)	4.4	4.8
Unemployment Rate - Canada (percent)	6.3	6.4
INTEREST RATES (percent)		
	Apr 19/06	Apr 20/05
Prime Business Rate	5.50	4.25
Conventional Mortgages - 1 year	6.15	4.90
- 5 year	6.60	6.05
US/CANADA EXCHANGE RATE		
	Apr 19/06	Apr 20/05
(avg. noon spot rate) Cdn \$	1.1364	1.2393
US \$ (reciprocal of the closing rate)	0.8804	0.8067
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Mar '06	one year ago
BC	718.33	2.9
Canada	721.41	3.7
SOURCES:		
Population, Gross Domestic Product, Trade,	} Statistics Canada	
Prices, Labour Force, Wage Rate		
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see www.bankofcanada.ca		

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